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SUBJECT: Person-on-the-street in Lagos: How's the Economy?

1. (U) Summary: Official statements and statistics emanating from the GON give a picture of an economy on the rebound. However, the official position is at variance with what one hears in the market stalls and living rooms of Lagos. Consulate staff interviewed a cross-section of Lagosians, soliciting their overall impressions of the economy. The verdict -- bad. High fuel costs, lack of a reliable power supply, and increased costs of living were universally cited as top concerns. Discussants blamed the federal government and President Obasanjo for these problems. They voiced severe skepticism about the economic reforms, which the government vaunts are paving the way for economic growth. This report, by definition, is impressionistic. However, this person-on-the-street perspective is reflective of the mood in Lagos and probably of the mood throughout most of southern Nigeria. In other words, most Nigerians think times are hard and getting harder. End Summary.

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Fuel, Power, and the High Cost of Living  
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2. (U) Almost every individual complained most vociferously about fuel costs. To our surprise, there was no variance by income level. The teacher, street vendor, mid-management banker, all cited fuel costs as their number one concern and claimed the recent fuel price increases significantly drained their disposable income. (Note: In October, as part of downstream deregulation reforms, the GON raised the price of gasoline from N43 to N53 per liter. The GON then lowered the official price to N49 in November following a four-day national strike. Increases in fuel costs have a ripple effect leading to price hikes across a wide range of sectors, including consumer goods and comestibles. Some increases may be warranted, but many appear opportunistic. End note.)

3. (U) Electricity, or rather the lack thereof, was the second most-cited concern. Lagosians with the wherewithal to have generators at home have relied almost exclusively on these auxiliary sources of power for the past several months. The cost is high. A mid-level sales manager for a Nigerian beer company told us he spent N7, 000 to run his generator in the month of November. This cost is in addition to the tariff he will still have to pay the non-performing National Electric Power Authority (NEPA). The generator costs represent almost 10 percent of the manager's monthly net salary of N72,000. Yet he was among the fortunate minority. Most Lagosians simply remained in the dark at night; they lived by candles. Televisions remained off; air conditioners and fans were not on for weeks. Sections of Lagos were eerily dark and quiet. People were bored and hot in the evenings. During the day, those small businesses that relied on NEPA as their exclusive power supply ground to a halt. Many Lagosians did not make money during the extended power shortage that was the prelude to this holiday season.

4. (SBU) A printer, who produces office supplies and is a member of the Nigerian Association of Small and Medium Enterprises (NASME), said fuel price increases and insufficient power supply were twin scourges of the Nigerian economy. Most production is done from auxiliary power sources, and the fuel for these generators is increasingly expensive. She said that most small and medium enterprises (SMEs) pass the extra costs to consumers, since they do not have the economies of scale to absorb these shocks. To further reduce overhead, some SMEs have resorted to hiring only part-time workers. NASME members would produce more and generate more employment if the power supply were sufficient and reliable, this member said.

5. (U) Complaints about the high cost of living and low purchasing power were on the lips of all our interlocutors. The price of 50 kg of imported rice, a

staple here, has increased 20 percent to N6,000 (\$45) in less than a year. The price of 10 kg of imported frozen chicken increased 33 percent to N4,000 (\$30). Many Lagosians have had to buy cheaper foods and reduce their consumption of meat in order to put enough food on the table to feed their families. Housing costs have spiraled in commercial centers like Lagos. Claiming they too are only trying to cope with the rising cost of living, many landlords have raised rents significantly even though they have made no improvements to the accommodations. An FSN reported her annual rent for a standard three-bedroom apartment increased from N150,000 (\$1,128) for 2003 to about N250,000 (\$1,880) for 2004. A parking lot attendant said he and other tenants in a densely populated area of the city now pay as much as N2,000 (\$15) monthly for a single room on the mainland, up from N800-N1000 (\$6.00-\$7.50) previously. Additionally, many landlords are asking for one to three years' lease payment in advance, putting many long-standing tenants in a bind. With a banking sector characterized by high interest rates, people have to borrow money from relatives and friends. Often, people have been forced to move.

16. (SBU) A sales representative from a multinational manufacturer of household care products said the low purchasing power of Nigerian consumers is noticeably affecting company sales. The effect is doubly worrisome since her company produces many basic, not luxury, goods. Despite a national population of over 120 million people, the company estimates the effective market size for a given product line in Nigeria is 300,000. This reduced market results in a profit margin lower than in other African countries far less populous than Nigeria, she said.

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A Peek into the Education Sector  
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17. (U) A schoolteacher in a public secondary school told us that he is "highly disappointed." Salaries are not paid regularly. Classrooms, laboratories, and other facilities are dilapidated. Many teachers now supplement their salaries with other businesses, such as organizing extra classes for students or selling clothes and other items. The teacher added that many students have to help contribute to their family's income. Thus, the children work (primarily petty trading) in the morning and then walk to school, because of high transportation costs. Understandably, these worker-students arrive tired and are inattentive in class.

18. (SBU) A retired teacher from the Oyo state service said retirees fare no better than employed teachers. She said pensioners have to be physically present to collect their pensions, which are usually paid two or three months in arrears. She asserted that current teachers, understandably, lack motivation. "If serving teachers are already suffering and they see what retirees are going through after teaching all these politicians and professionals, how can anybody expect them to be dedicated?"

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A Peek into the Health Sector  
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19. (U) A recently hired nurse in a private health center told us she now earns N15,000 (\$113) monthly, after working at a state-owned clinic for three years, where she earned N8,000 (\$60) a month. Recounting her experience in public service, she said the irregularity of salary payments caused more hardship than the low amount of the salary. She and her self-employed electrical technician husband and two children practically lived on credit, hoping the government would pay arrears when promised.

110. (U) The nurse said the 88 percent salary increase has been depleted by the incessant rise in prices of basic goods and services. Like most Lagosians with a reasonably well-paid job, she is besieged with requests from destitute friends and relatives. She shared a remark commonly heard in Lagos: each gainfully employed individual supports at least twenty other people. She wondered aloud how she survived on N8,000 for so long, when N15,000 now is insufficient.

111. (U) Regarding the provision of health care, patients in public hospitals usually receive bad service from demoralized medical personnel. A Lagos FSN whose mother is hospitalized described his ordeal. He said relatives have to search the city to find prescribed drugs unavailable in the hospital pharmacy.

Nurses refused to attend to the elderly woman's needs and advised the family to designate someone to stay with her at the hospital. The FSN remarked that government hospitals only provide "lodging" for the sick; care and attention must come from the family. He further noted that in addition to coping with the stress of his mother's illness, he has been without electricity for four months, and is thus relying on generator power, incurring even more expenses.

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Nigeria Imports What It Has; Exports What It Doesn't Have  
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¶12. (SBU) A water treatment officer with the Nigerian ports authority (who also is owed several months' salary) wondered why the country defies basic economic laws - "importing what it has, and exporting what it lacks." With vast agricultural lands, Nigeria imports foodstuffs like rice, she observed. While Nigeria supplies the Niger Republic with electricity, Nigerians cannot get reliable power, she lamented. (Note: The NEPA transmits electricity to the Niger Republic under an extended contract with Niger Electric Company. Many Nigerians believe they pay more for electricity than consumers in the Niger Republic and that NEPA does a better job supplying the Niger Republic than it does taking care of its home base.)

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Comment  
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¶13. (U) The attitude of most Nigerians toward the economy and their immediate economic future is gloomy. Fuel price increases, lack of electricity, rising food and consumer prices, unemployment, poor public health and education services, and an unfriendly housing market have contributed to feelings of widespread anxiety and fear among Lagosians about the trajectory of Nigeria's economy. All this is occurring against a backdrop of historic oil prices and the accumulation of an unprecedented level of foreign exchange reserves. They shudder at what would happen if the bottom fell out in the oil market. Thus, when they hear government officials trumpet economic reform and assert that the country's economic fundamentals are on the mend, this news has a hollow ring to them.

¶14. (U) The "ordinary Lagosian's" perspective on economic reform is very ambivalent. There is universal support for ending rampant corruption and increasing transparency. In addition, support reform initiatives, which they perceive as resulting in better services, such as telecommunications deregulation. However, they are conflicted about measures that may help the country in the long run, but harm their personal interests in the short to medium term. Downstream petroleum deregulation is an example. Lagosians seemed to understand the sector must be deregulated in order to attract private investment and rehabilitate the country's oil refineries. Yet, they bristle at increased fuel prices.

¶15. (U) In the final analysis, most Lagosians, like most people anywhere, will judge the efficacy of economic reform by how it improves their economic standing. Thus far, most people believe this year has been a bad one economically and their glimpses into the future have not fueled optimism. If the Lagosians we spoke to are representative of the country, support for the GON economic policies will continue to truncate unless the GON is viewed as taking steps to alleviate the average person's economic diminution. People will be looking toward policies that spell job creation, arrest the rise in consumer prices, and bring more reliable electrical power generation. Unfortunately, some of these goals point to economic policies that would be inconsistent with each other and with some existing economic reform measures. If public support for reform is a GON objective, it will have to do a delicate balancing act.

Browne